



## NEWS

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## Get couple's risk tolerance right, or prepare for a fight

### *Males and females often at odds on risk*

**Sydney, Australia** (May 15, 2014) – Financial advisers must consider the risk preferences of each person in a couple in giving investment advice - and not ignore the needs of the less risk tolerant partner, who is typically the woman, according to new data from risk profiling firm FinaMetrica.

In 66% of couples, men have a higher tolerance for financial risk than their female partners. Where there is a material difference in their risk tolerance levels, in 84% of cases it is the man who is the risk taker, according FinaMetrica data.

“While men tend to favour riskier investments, women are typically more conservative. In just one in six couples will it be the female who is the risk taker,” said FinaMetrica Co-Founder Paul Resnik.

“Financial advisers must consider the risk tolerance of each person in developing a financial plan and deciding on suitable investments. Each should complete their own risk tolerance test. Any differences need to be resolved before a financial plan can be finalised, otherwise problems could arise in the adviser relationship, as well as the marital relationship,” Mr Resnik said.

“In the next market fall, the financial adviser could end up in hot water with both the lower risk tolerant partner and possibly with regulators if they recommended risky investments without the lesser risk tolerant partner understanding and agreeing to the plan.

“So, in order to act in the best interest of the couple, and each person within it, the adviser must explain the investment options, particularly what might go wrong and the possible consequences on their future finances,” he said.

“A good risk tolerance test will take as little as 10 minutes, perhaps less, to complete. The report can reveal much information about each person and their financial selves. This self awareness often empowers each person in the couple to be more involved with decisions about their financial future.”

Mr Resnik said where a mismatch in risk tolerance exists, it could be resolved in several ways.

“If one person takes primary responsibility for making financial decisions, and often it is the man, the

couple could agree to proceed according to that person's risk tolerance. Or they could choose the lesser risk tolerance of the two, or they could average.

“However, in any situation that involves the couple taking more risk than the less risk tolerant of the two would prefer, it is important to make sure both members are aware of this and have signed off on their understanding.

“The key to longer term marital tranquillity may well be the informed consent of each to the risk in their financial plan,” said Mr Resnik.

“Interestingly, while this male/female difference is a global phenomenon, its magnitude varies across regions. In Australia, New Zealand, Canada and the United States, the male/female difference is more or less the same but in the UK, females are comparatively less risk tolerant. This indicates the difference is not just a sex difference but is also influenced by cultural factors,” he said.

FinaMetrica has recently won several international awards for its risk profiling solution, which is used in 23 countries around the globe, in seven different languages.

“The effectiveness of our solution explains its growing global appeal. Following the global financial crisis, wealth managers and advisers are being forced both by market pressures and by regulators worldwide to assess the risk appetite of investors properly. Our tools and materials help to entrench best practice in the financial advisory process and for this reason, it is growing in popularity,” said Mr Resnik.

### **About FinaMetrica**

FinaMetrica specialises in risk tolerance and risk-related matters. The FinaMetrica risk profiling system is based on a psychometric test of personal financial risk tolerance. Psychometrics, a blend of psychology and statistics, is the scientific discipline for testing attributes such as risk tolerance. Launched in 1998, the system is now used by 5,500 advisers in 23 countries in seven languages. To date, 700,000 tests have been completed. The FinaMetrica system enables advisers to make valid and reliable assessments of their clients' risk tolerance, incorporate those assessments into the financial planning process and explain risk more meaningfully. More information: [www.riskprofiling.com](http://www.riskprofiling.com).

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